

Youth Haven, Inc.

Financial Statements
and Independent Auditors' Report

Year Ended August 31, 2016

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WILLIS & JURASEK

CPAS AND CONSULTANTS

Independent Auditors' Report

To the Board of Directors
Youth Haven, Inc.
Rives Junction, Michigan

We have audited the accompanying financial statements of Youth Haven, Inc. (a nonprofit organization) which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Haven, Inc. as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

February 10, 2017

Youth Haven, Inc.
Statement of Financial Position
August 31, 2016

Assets

2016

Current Assets:

Cash and cash equivalents	\$ 398,934
Certificates of deposit	191,573
Prepaid expenses	<u>38,161</u>
Total current assets	<u>628,668</u>

Property and Equipment:

Land and land improvements	476,307
Buildings and improvements	3,813,360
Office equipment	548,655
Vehicles	228,923
Camp equipment	529,703
Radio equipment	<u>52,311</u>
	5,649,259
Less accumulated depreciation	<u>4,112,565</u>
Net property and equipment	<u>1,536,694</u>

Other Assets:

Restricted cash	25,000
Investments	<u>109,998</u>
Total other assets	<u>134,998</u>

\$ 2,300,360

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 17,632
Accrued expenses	62,783
Accrued payroll withholdings	<u>1,811</u>
Total current liabilities	<u>82,226</u>

Net Assets:

Unrestricted	2,193,134
Permanently restricted	<u>25,000</u>
Total net assets	<u>2,218,134</u>

\$ 2,300,360

See Notes to Financial Statements.

Youth Haven, Inc.
Statement of Activities
Year Ended August 31, 2016

	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support:				
Contributions	\$ 1,930,479	\$ -	\$ 25,000	\$ 1,955,479
In-kind contributions	66,559	-	-	66,559
Other income	37,134	-	-	37,134
Net assets released from restrictions	<u>2,753</u>	<u>(2,753)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>2,036,925</u>	<u>(2,753)</u>	<u>25,000</u>	<u>2,059,172</u>
Functional Expenses:				
Program:				
Camping	<u>1,529,932</u>	<u>-</u>	<u>-</u>	<u>1,529,932</u>
Support Services:				
Management and general	172,660	-	-	172,660
Fund-raising	<u>150,623</u>	<u>-</u>	<u>-</u>	<u>150,623</u>
Total support services	<u>323,282</u>	<u>-</u>	<u>-</u>	<u>323,282</u>
Total functional expenses	<u>1,853,215</u>	<u>-</u>	<u>-</u>	<u>1,853,215</u>
Changes in Net Assets from Operations	<u>183,710</u>	<u>(2,753)</u>	<u>25,000</u>	<u>205,957</u>
Non-Operating Income (Expense):				
Interest and dividend income	2,270	-	-	2,270
Gain (loss) on investments - unrealized	<u>4,593</u>	<u>-</u>	<u>-</u>	<u>4,593</u>
Total non-operating income (expense)	<u>6,863</u>	<u>-</u>	<u>-</u>	<u>6,863</u>
Changes in Net Assets	190,573	(2,753)	25,000	212,820
Net Assets - Beginning of Year	<u>2,002,561</u>	<u>2,753</u>	<u>-</u>	<u>2,005,314</u>
Net Assets - End of Year	<u>\$ 2,193,134</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 2,218,134</u>

See Notes to Financial Statements.

Youth Haven, Inc.
Statement of Cash Flows
Year Ended August 31, 2016

	<u>2016</u>
Cash Flows From Operating Activities:	
Increase (decrease) in net assets	\$ 212,820
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by operating activities:	
Depreciation	111,732
Capitalized in-kind contributions	(27,831)
Unrealized (gain) loss on investments	(4,593)
Net changes in assets and liabilities:	
Prepaid expenses	(23,403)
Accounts payable	(9,101)
Accrued expenses	31,126
Accrued payroll withholdings	(2,370)
Net cash provided (used) by operating activities	<u>288,380</u>
Cash Flows From Investing Activities:	
Interest on certificates of deposit reinvested	(747)
Capital expenditures	<u>(98,440)</u>
Net cash provided (used) by investing activities	<u>(99,187)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	189,193
Cash and Cash Equivalents - Beginning of Year	<u>234,741</u>
Cash and Cash Equivalents – End of Year	<u>\$ 423,934</u>
Cash and Cash Equivalents as Reported on the Balance Sheet:	
Cash and cash equivalents	\$ 398,934
Restricted cash	<u>25,000</u>
Total	<u>\$ 423,934</u>

See Notes to Financial Statements.

Youth Haven, Inc.
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Organization Purpose

The purpose of Youth Haven, Inc. (Youth Haven) is to maintain and operate a year-round nonprofit, non-denominational Christian organization youth ranch, which helps underprivileged children. Youth Haven has facilities located in Michigan and Arizona.

Basis of Accounting

The accompanying financial statements and information are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenditures are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax-Exempt Status

Youth Haven is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and has received a determination letter from the Internal Revenue Service that it is exempt from federal income tax on its related exempt activities under Code Section 501(a). The Organization is required to report its operations by filing Form 990 annually.

Professional standards require an analysis of uncertain tax positions for the purpose of determining whether benefits associated with those positions may be recognized for financial statement purposes. Based on the analysis, the Organization has determined it has no material uncertain tax positions for which the associated benefits may not be recognized nor for which disclosure is required.

Fair Value

The Organization applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements (Note 2).

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include amounts in demand and time deposit accounts and all highly liquid debt instruments with original maturities of three months or less. There was approximately \$111,000 of deposits in excess of federally insured limits (FDIC) at year-end.

Youth Haven, Inc.
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Property and Equipment and Depreciation

Property and equipment acquisitions are accounted for at cost if purchased. Donated property and equipment are stated at fair market value at the date of receipt. Property and equipment constructed with donated labor are stated at cost for materials plus an appraised amount for donated labor. Assets are capitalized if the cost of an individual item is \$1,000 or more. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets as follows:

	<u>Method</u>	<u>Life</u>
Land improvements	Straight-line	12.5 Years
Buildings and improvements	Straight-line	10-25 Years
Office equipment	Straight-line	5-7 Years
Vehicles	Straight-line	5 Years
Camp equipment	Straight-line	10 Years
Radio equipment	Straight-line	10 Years

Contributions

The Organization accounts for contributions as required by the Not-For-Profit Topy of the Financial Accounting Standards Board Codification. In accordance with this guidance, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions received are required to be recorded at fair market value.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted donations whose restriction expires in the same year as receipt are recorded as unrestricted contributions.

Donated Goods and Services

During the year, the value of contributed goods and services meeting the requirements for recognition in the financial statements have been recorded at the fair value of the donations received. Total value of donated goods and services included in expenses was \$38,728 the reported year. The Organization also received \$27,831 of donated vehicles and equipment which were capitalized during the year.

Advertising

Advertising costs are expensed as incurred; the expense recognized for the reported year was \$24,095.

Retirement Plan

The Company maintains a tax-sheltered annuity retirement program for its employees who voluntarily choose to participate. There were no employer contributions for the year ended 2016.

Youth Haven, Inc.
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated subsequent events through the date of the auditors' report, the date the financial statements were available to be issued.

2. Fair Value

FASB has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Fair Value Measurements: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Fair Value Measurements: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Fair Value Measurements: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in valuation methodologies from the previous year.

Mutual Funds: Valued at the closing price provided by the investment advisor.

Corporate Stocks: Valued at the closing price of the publicly traded stock on the open market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents assets that are measured at fair value on a recurring basis at August 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 92,651	\$ -	\$ -	\$ 92,651
Corporate stocks	<u>17,347</u>	<u>-</u>	<u>-</u>	<u>17,347</u>
Total assets at fair value	<u>\$ 109,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,998</u>

Youth Haven, Inc.
Notes to Financial Statements

3. Restrictions on Net Assets

Permanently restricted net assets at year-end consist of a \$25,000 contribution to support the Christmas programs of the Organization. The contribution is subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely, and income from the investment is to be expended for the Christmas activities.

Supplemental Information

Youth Haven, Inc.
Schedule of Functional Expenses
Year Ended August 31, 2016

	Program Services				Supporting Services		Totals
	Camping				Management & General	Fundraising	2016
	Michigan	Arizona	Shared	Total			
Personnel costs:							
Salaries	\$ 224,621	\$ 168,469	\$ 351,920	\$ 745,009	\$ 86,629	\$ 34,652	\$ 866,290
Payroll taxes	18,913	12,723	27,409	59,045	6,866	2,746	68,657
Benefits	28,406	44,497	39,500	112,402	14,039	5,104	131,546
Other	808	241	368	1,417	157	-	1,574
	<u>272,748</u>	<u>225,930</u>	<u>419,196</u>	<u>917,874</u>	<u>107,691</u>	<u>42,502</u>	<u>1,068,068</u>
In-kind expenses	22,090	-	-	22,090	-	16,638	38,728
Outside labor & rentals	7,356	1,871	43,486	52,713	5,351	4,467	62,531
Insurance	-	-	55,163	55,163	6,414	2,566	64,142
Supplies	42,775	27,151	1,272	71,198	4,214	398	75,810
Food	30,929	15,433	257	46,620	422	169	47,210
Laundry	5,592	8,702	-	14,294	167	67	14,528
Gifts	2,589	435	5,075	8,099	942	377	9,418
Periodic and annual fees	1,532	2,298	11,909	15,738	3,343	1,996	21,077
Events	25,575	7,793	1,219	34,587	3,871	8,647	47,105
Technology	1,749	1,503	11,675	14,927	1,736	694	17,357
Advancement expenses	-	-	1,413	1,413	164	22,518	24,095
Printing & postage	8,904	4,171	4,391	17,466	13,243	39,729	70,437
Utilities	51,437	41,466	787	93,691	11,408	4,379	109,478
Vehicles	15,022	3,768	2,615	21,405	2,489	996	24,889
Facility maintenance & upgrades	39,249	4,397	2,657	46,303	-	-	46,303
Miscellaneous	261	2	-	263	32	12	307
Total functional expenses before depreciation	<u>527,808</u>	<u>344,920</u>	<u>561,115</u>	<u>1,433,843</u>	<u>161,486</u>	<u>146,153</u>	<u>1,741,483</u>
Depreciation	<u>54,851</u>	<u>41,238</u>	<u>-</u>	<u>96,089</u>	<u>11,173</u>	<u>4,469</u>	<u>111,732</u>
Total functional expenses	<u>\$ 582,659</u>	<u>\$ 386,158</u>	<u>\$ 561,115</u>	<u>\$ 1,529,932</u>	<u>\$ 172,660</u>	<u>\$ 150,623</u>	<u>\$ 1,853,215</u>

See Notes to Financial Statements.